

August 17, 2004

The Honorable Arnold Schwarzenegger
Governor of California
State Capitol Building
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I sincerely believe we both share the same goal of preventing another energy crisis in California and securing the state's energy future so that residents and businesses can depend upon reliable electric service at a reasonable price. My bill, AB 2006, does this.

When it comes to creating energy policy for California, it is imperative that policy makers learn from past mistakes. To return to the failed policies of electricity deregulation and empower unregulated generators with free reign to manipulate electricity prices is a prescription for disaster. Experimenting with another iteration of the failed deregulation approach could again wreak havoc on our economy, drive jobs and employers out of the state, do lasting harm to the state's fiscal health, and impose unacceptable burdens on small businesses, working families and seniors. We must not go backwards.

Your energy policy, as articulated in communications on April 28th and August 10th, not only fails to accomplish what you intend but very well could result in higher cost energy for California consumers. It will clearly exacerbate the current market uncertainty. One example is your suggestion to amend my bill to include full-scale deregulation beginning in 2006. This approach runs counter to establishing market certainty and is not in the best interest of consumers, residents, businesses or our state's economy.

Investment will be made in new power plants only when there is market certainty and long-term customer commitments. Further deregulating the market will paralyze investments and result in energy shortages and higher power costs for consumers.

In an earlier version of my bill, I attempted to address large businesses' desire to shop for power, but did so in a manner that would not negatively impact smaller customers or market stability. Ultimately, however, that provision was holding up progress on other important provisions in my bill and I removed it.

My priority remains to create an environment in which more plants can be brought on line and to ensure consumers are paying a reasonable price for electricity. Empowering unregulated generators to charge whatever they want for electricity will do nothing to

ensure reasonable prices for consumers. Instead, it will have the opposite effect. By doubling the amount of power utilities are required to buy and cutting in half the amount of time to buy it, you create a "seller's" market for electricity. The result would be overpriced contracts similar to those signed by the Department of Water Resources during the energy crisis.

Finally, I am particularly concerned with your desire to abdicate virtually all responsibility on energy policy to the California Public Utilities Commission (CPUC). In the aftermath of the energy crisis, the state still lacks a clear policy for its energy future. AB 2006 will change that by providing a clear, regulatory energy framework that protects California consumers from ever again being held hostage to an out of control energy market. While the CPUC will play an important role in implementing that future, it is the responsibility of elected officials in the Legislature and the Administration to shape it.

AB 2006 would protect consumers, businesses and our state's economy from future blackouts by bringing certainty to what has been an uncertain regulatory environment and reviving investment in power plant construction. That is why my bill is supported by a host of consumer, business, environmental, labor, and other organizations, including The Utility Reform Network (TURN), Utility Consumers' Action Network (UCAN), Consumers First, Coalition of Utility Employees (CUE), the California Small Business Association, California Senior Action Network, and the Planning and Conservation League.

As I mentioned in my May 20th letter to you, I welcome the opportunity to begin having substantive conversations with you on this very important issue. I look forward to hearing from you.

Sincerely,

FABIAN NUÑEZ
Speaker of the Assembly

cc: Commissioner Michael Peevey
US Senator Diane Feinstein
Senator John Burton
Senator Deborah Bowen
Assemblymember Sarah Reyes
Secretary Mike Chrisman